



October 26, 2009

Mr. David Ikari, Chief
Dairy Marketing Branch
California Department of Food and Agriculture
560 J Street, Suite 150
Sacramento, CA 95814

RE: Alternative Proposal for November Class 1, 2, 3, 4a and 4b Pricing Hearing

Dear Mr. Ikari:

The attached extracts from the current Stabilization and Marketing Plans for Northern California and Southern California reflect Dairy Institute's proposed amendments to the current pricing formulas for Classes 1, 2, 3, 4a and 4b in the two marketing areas of the state. These proposals respond to the Notice of Public Hearing dated October 19, 2009. The Department of Food and Agriculture called the hearing in response to petitions from the Alliance of Western Milk Producers and Western United Dairymen.

Summary of Dairy Institute's Proposal

Dairy Institute proposes that for the three-month period beginning January 2010 and continuing through March 2010, prices for all classes of milk be increased by 20 cents per hundredweight, subject to a market-price trigger based on the second prior month's Class 4a and Class 4b prices. The 20-cent increase would only be implemented if both the Class 4a and Class 4b milk prices in the second prior month do not exceed \$13.00 per hundredweight.

To further illustrate our proposal, if either the November 2009 Class 4b price or the November 2009 Class 4a price exceeds \$13.00 per hundredweight, then the 20-cent increase we propose would not be implemented for the month of January. If the \$13.00 per hundredweight trigger level for either Class 4a or Class 4b were exceeded in December, then the 20-cent increase would not be implemented in February. Finally, if the \$13.00 per hundredweight trigger level for either Class 4a or Class 4b were exceeded in January, then the 20-cent increase would not be implemented in March. In any event, the possibility of the 20-cent increase being implemented would only apply to the specified January - March 2010 period.

The amendments proposed here are offered to address the conditions cited by the petitioners. While Dairy Institute's member companies understand the financial hardships that California dairy producers have faced in 2009, they have concerns about the impact of the petitioners' proposed changes on the competitiveness of California processors in comparison to those located in other states. Dairy Institute's proposal seeks to strike a balance by offering some short-term assistance to producers in the face of continued low prices, while seeking to minimize the competitive disruptions brought about by the transfer of monies from processors to producers.

The proposed component price increases for each class, assuming that applicable Class 4a and 4b prices do not exceed the trigger levels we have defined, are as follows:

Class 1: milkfat, +\$0.0020 per pound; solids not fat, +\$0.0171 per pound; fluid carrier, +\$0.0005 per pound.

Class 2: milkfat, +\$0.0164 per pound; solids not fat, +\$0.0164 per pound.

Class 3: milkfat, +\$0.0164 per pound; solids not fat, +\$0.0164 per pound.

Class 4a: milkfat, +\$0.0164 per pound; solids not fat, +\$0.0164 per pound.

Class 4b: milkfat, +\$0.0164 per pound; solids not fat, +\$0.0164 per pound.

Thank you for your consideration of our alternative proposal.

Sincerely,

William Schiek
Economist

Attachments

Southern California Stabilization and Marketing Plan

Article III - Class Prices

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

- (A) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:
- (1) For all milk fat, not less than the price per pound computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of thirteen and fifteen hundredths cents (\$0.1315), and the result multiplied by a yield factor of 1.2.
 - (2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Commodity Reference price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, minus twenty and three-tenths cents (\$0.203), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.76 and divided by 8.7.
 - (3) For all fluid carrier, not less than the price per pound computed by the formula using the Commodity Reference Price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, minus twenty and three-tenths cents (\$0.203), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.24 and divided by 87.8.
 - (4) The Commodity Reference Price per hundredweight shall be the higher of either:
 - (a) The sum of the following three formulas:
 - (i) The price per hundredweight computed by the formula using the Cheddar cheese price determined pursuant to Subparagraph (A)(6) of this Section, multiplied by a Cheddar cheese yield factor of nine and eight-tenths (9.8).
 - (ii) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less ten cents (\$0.10), all multiplied by a whey butter yield factor of twenty-seven-hundredths (0.27).

- (iii) The price per hundredweight computed by the formula using the dry whey price determined pursuant to Subparagraph (A)(7) of this Section multiplied by a dry whey yield of 5.8, all less a dry whey adjuster of eighty-five cents (\$0.85).
- (b) The sum of the following two formulas:
 - (i) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, multiplied by a butter yield factor of 1.2, and the result multiplied by 3.5.
 - (ii) The price per hundredweight computed by the formula using the nonfat dry milk price determined pursuant to Subparagraph (A)(8) of this Section, multiplied by a nonfat dry milk yield factor of 0.99, and the result multiplied by 8.7.
- (5) The butter price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing Grade AA butter prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange Grade AA butter prices are not available to calculate the butter price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the butter price used in the previous month's calculation.
- (6) The Cheddar cheese price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing 40 pound block Cheddar cheese prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange 40 pound block Cheddar prices are not available to calculate the Cheddar cheese price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the Cheddar cheese price used in the previous month's calculation.
- (7) The dry whey prices used in calculations pursuant to Paragraph (A) shall be the two most recent weekly, simple average of the Dry Whey – West Mostly prices as published in Dairy Market News available on the 10th day of the previous month.
- (8) The nonfat dry milk price used in calculations pursuant to Paragraph (A) shall be the weighted average of the two most recent weekly price reports for nonfat dry milk f.o.b. California manufacturing plants available on the 10th day of the previous month. The weekly reports are used to calculate the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the seven day period ending on Friday as reported by the California Department of Food and Agriculture.

- (9) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 1 prices shall be increased by the following amounts:
- (a) For milk fat, five and seven-tenths mills (\$0.0057) per pound.
 - (b) For milk solids-not-fat, two and three-tenths mills (\$0.0023) per pound.
 - (c) For fluid carrier, one-tenth mil (\$0.0001) per pound.
- (10) ***For the months January 2010 through March 2010 the minimum Class 1 prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:***
- (a) ***For milk fat, twenty hundredths cents (\$0.0020) per pound.***
 - (b) ***For milk solids-not-fat, one and seventy-one hundredths cents (\$0.0171) per pound.***
 - (c) ***For fluid carrier, five hundredths cents (\$0.0005) per pound.***
- (B) The minimum bimonthly prices for components used for Class 2 shall be determined at the beginning of each even month, using the following formulas and procedures:
- (1) For all milk fat, not less than the Average Class 4a fat price, ***pursuant to Subparagraph (D)(1).***
 - (2) For all milk solids-not-fat, not less than the Average Class 4a solids-not-fat price, ***pursuant to Subparagraph (D)(2),*** plus seven and fifty-seven hundredths cents (\$0.0757) per pound.
 - (3) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 2 prices shall be increased by the following amounts:
 - (a) For milk fat, seven and one-tenth mills (\$0.0071) per pound.
 - (b) For milk solids-not-fat, two and nine-tenths mills (\$0.0029) per pound.
 - (4) The time periods for the Average Class 4a fat price used in Subparagraph (B)(1) and the Average Class 4a solids-not-fat price used in Subparagraph (B)(2) of this Section shall be those in Subparagraph (B)(5) of this Section.

- (5) For February-March Class 2 and 3 pricing period, the average of preceding December-January Class 4a component prices per pound.

For April-May Class 2 and 3 pricing period, the average of preceding February-March Class 4a component prices per pound.

For June-July Class 2 and 3 pricing period, average of preceding April-May Class 4a component prices per pound.

For August-September Class 2 and 3 pricing period, average of preceding June-July Class 4a component prices per pound.

For October-November Class 2 and 3 pricing period, average of preceding August-September Class 4a component prices per pound.

For December-January Class 2 and 3 pricing period, average of preceding October-November Class 4a component prices per pound.

- (6) ***For the months January 2010 through March 2010 the minimum Class 2 prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:***

(a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.

(b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.

- (C) The minimum bimonthly prices for components used for Class 3 shall be determined at the beginning of each even month, using the following formulas and procedures:

- (1) For all milk fat, not less than the Average Class 4a fat price, ***pursuant to Subparagraph (D)(1).***
- (2) For all milk solids-not-fat, not less than the Average Class 4a solids-not-fat price, ***pursuant to Subparagraph (D)(2),*** plus four and thirty-three hundredths cents (\$0.0433) per pound.
- (3) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 3 prices shall be increased by the following amounts:
- (a) For milk fat, seven and one-tenth mils (\$0.0071) per pound.
- (b) For milk solids-not-fat, two and nine-tenths mils (\$0.0029) per pound.

- (4) The time periods for the Average Class 4a fat price used in Subparagraph (C)(1) and the Average Class 4a solids-not-fat price used in Subparagraph (C)(2) of this Section shall be those in Subparagraph (B)(5) of this Section.

(5) For the months January 2010 through March 2010 the minimum Class 3 prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:

(a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.

(b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.

- (D) The minimum prices to be paid for components used for Class 4a shall be computed as follows:

- (1) For all milk fat, not less than the price per pound computed by the formula using the butter price, less an f.o.b. California price adjuster of three and nine hundredths cents (\$0.0309), less a manufacturing cost allowance of fifteen and six tenths cents (\$0.156), and the result multiplied by a yield factor of one and two-tenths (1.2).
- (2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the nonfat dry milk price, less a manufacturing cost allowance of sixteen and ninety-eight hundredths cents (\$0.1698), multiplied by a yield factor of one (1.0).
- (3) The butter prices used in calculations pursuant to this Paragraph shall be the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month
- (4) The nonfat dry milk prices used in calculations pursuant to this Paragraph shall be the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the period beginning the 26th day of the previous month and concluding the 25th day of the current month, as reported by the California Department of Food and Agriculture for the month.
- (5) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the current Class 4a fat price, pursuant to Subparagraph (D)(1), then used in its place shall be the Chicago Mercantile Exchange Grade AA butter price used in the prior month's calculation of the Class 4a fat price. All other Paragraphs that

use the Class 4a fat price shall operate as if the price had been established pursuant to Subparagraph (D)(1).

- (6) In the event that the California weighted average nonfat dry milk price is not available to calculate the current Class 4a solids-not-fat component price, pursuant to Subparagraph (D)(2), then used in its place shall be the California weighted average nonfat dry milk price used in the prior month's calculation of the Class 4a solids-not-fat price. All other Paragraphs that use the Class 4a solids-not-fat price shall operate as if the solids-not-fat price had been established pursuant to Subparagraph (D)(2).

(7) For the months January 2010 through March 2010 the minimum Class 4a prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:

(a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.

(b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.

- (E) The minimum prices to be paid for components used for Class 4b shall be computed as follows:

- (1) The Cheese hundredweight price shall be the price per hundredweight computed by the sum of the following:
- (a) The price per hundredweight computed by the formula using the Cheddar cheese price, less an f.o.b. California price adjuster of two and fifty-two hundredths cents (\$0.0252), less a Cheddar cheese manufacturing cost allowance of nineteen and eighty-eight hundredths cents (\$0.1988), all multiplied by a yield factor of ten and two-tenths (10.2).
 - (b) The price per hundredweight computed by the formula using the butter price, less a manufacturing cost allowance of fifteen and six tenths cents (\$0.156), less ten cents (\$0.10), all multiplied by a yield factor of twenty-seven-hundredths (0.27).
 - (c) The constant whey factor of twenty-five cents per hundredweight (\$0.25).
- (2) For all milk fat, not less than the price per pound computed pursuant to Subparagraph (D)(1) of this Section.

- (3) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Cheese hundredweight price established pursuant to Subparagraph (E)(1) less the product of three and seventy-two hundredths (3.72) multiplied by the Class 4b fat price established pursuant to Subparagraph (E)(2), all divided by eight and eighty hundredths (8.80).
- (4) The Cheddar cheese prices used in calculations pursuant this Paragraph shall be the simple average of the 40 pound block Cheddar cheese price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- (5) The butter prices used in calculations pursuant this Paragraph shall be the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- (6) In the event the Chicago Mercantile Exchange 40 pound block Cheddar cheese price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the cheese price used in the prior month's calculation of the Cheese hundredweight price.
- (7) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the Grade AA butter price used in the prior month's calculation of the Cheese hundredweight price.
- (8) ***For the months January 2010 through March 2010 the minimum Class 4b prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:***
- (a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.***
- (b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.***

Northern California Stabilization and Marketing Plan

Article III - Class Prices

Section 300.0. The minimum class prices for the milk fat and skim milk components of market milk, market cream, and market skim milk f.o.b. the pool plant or nonpool plant located within this Marketing Area where the milk was first received from producers, shall be as follows:

(A) The minimum monthly prices for components used for Class 1 shall be determined prior to the beginning of each month, using the following formulas and procedures, except as such formulas and procedures may be modified by Paragraph (H) of this Section:

- (1) For all milk fat, not less than the price per pound computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less a butter adjuster of thirteen and fifteen hundredths cents (\$0.1315), and the result multiplied by a yield factor of 1.2.
- (2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Commodity Reference price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, minus twenty and three-tenths cents (\$0.203), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.76 and divided by 8.7.
- (3) For all fluid carrier, not less than the price per pound computed by the formula using the Commodity Reference Price per hundredweight determined pursuant to Subparagraph (A)(4) of this Section, minus twenty and three-tenths cents (\$0.203), less 3.5 times the fat price per pound determined pursuant to Subparagraph (A)(1) of this Section, all multiplied by 0.24 and divided by 87.8, and then \$0.0031 per pound subtracted from the result.
- (4) The Commodity Reference Price per hundredweight shall be the higher of either:
 - (a) The sum of the following three formulas:
 - (i) The price per hundredweight computed by the formula using the Cheddar cheese price determined pursuant to Subparagraph (A)(6) of this Section, multiplied by a Cheddar cheese yield factor of nine and eight-tenths (9.8).
 - (ii) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, less ten cents (\$0.10), all multiplied by a whey butter yield factor of twenty-seven-hundredths (0.27).

- (iii) The price per hundredweight computed by the formula using the dry whey price determined pursuant to Subparagraph (A)(7) of this Section multiplied by a dry whey yield of 5.8, all less a dry whey adjuster of eighty-five cents (\$0.85).
- (b) The sum of the following two formulas:
 - (i) The price per hundredweight computed by the formula using the butter price determined pursuant to Subparagraph (A)(5) of this Section, multiplied by a butter yield factor of 1.2, and the result multiplied by 3.5.
 - (ii) The price per hundredweight computed by the formula using the nonfat dry milk price determined pursuant to Subparagraph (A)(8) of this Section, multiplied by a nonfat dry milk yield factor of 0.99, and the result multiplied by 8.7.
- (5) The butter price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing Grade AA butter prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange Grade AA butter prices are not available to calculate the butter price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the butter price used in the previous month's calculation.
- (6) The Cheddar cheese price used in calculations pursuant to Paragraph (A) shall be the simple average of the daily closing 40 pound block Cheddar cheese prices at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the second previous month and concluding the 10th day of the previous month. In the event that Chicago Mercantile Exchange 40 pound block Cheddar prices are not available to calculate the Cheddar cheese price fifteen days prior to the effective date of the Class 1 pricing period concerned, then used in its place shall be the Cheddar cheese price used in the previous month's calculation.
- (7) The dry whey prices used in calculations pursuant to Paragraph (A) shall be the two most recent weekly, simple average of the Dry Whey – West Mostly prices as published in Dairy Market News available on the 10th day of the previous month.
- (8) The nonfat dry milk price used in calculations pursuant to Paragraph (A) shall be the weighted average of the two most recent weekly price reports for nonfat dry milk f.o.b. California manufacturing plants available on the 10th day of the previous month. The weekly reports are used to calculate the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the seven day period ending on Friday as reported by the California Department of Food and Agriculture.

- (9) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 1 prices shall be increased by the following amounts:
- (a) For milk fat, five and seven-tenths mills (\$0.0057) per pound.
 - (b) For milk solids-not-fat, two and three-tenths mills (\$0.0023) per pound.
 - (c) For fluid carrier, one-tenth mil (\$0.0001) per pound.
- (10) *For the months January 2010 through March 2010 the minimum Class 1 prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:*
- (a) For milk fat, twenty hundredths cents (\$0.0020) per pound.*
 - (b) For milk solids-not-fat, one and seventy-one hundredths cents (\$0.0171) per pound.*
 - (c) For fluid carrier, five hundredths cents (\$0.0005) per pound.*
- (B) The minimum bimonthly prices for components used for Class 2 shall be determined at the beginning of each even month, using the following formulas and procedures:
- (1) For all milk fat, not less than the Average Class 4a fat price, ***pursuant to Subparagraph (D)(1).***
 - (2) For all milk solids-not-fat, not less than the Average Class 4a solids-not-fat price, ***pursuant to Subparagraph (D)(2),*** plus four and ninety hundredths cents (\$0.0490) per pound.
 - (3) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 2 prices shall be increased by the following amounts:
 - (a) For milk fat, seven and one-tenth mills (\$0.0071) per pound.
 - (b) For milk solids-not-fat, two and nine-tenths mills (\$0.0029) per pound.
 - (4) The time periods for the Average Class 4a fat price used in Subparagraph (B)(1) and the Average Class 4a solids-not-fat price used in Subparagraph (B)(2) of this Section shall be those in Subparagraph (B)(5) of this Section.

- (5) For February-March Class 2 and 3 pricing period, the average of preceding December-January Class 4a component prices per pound.

For April-May Class 2 and 3 pricing period, the average of preceding February-March Class 4a component prices per pound.

For June-July Class 2 and 3 pricing period, average of preceding April-May Class 4a component prices per pound.

For August-September Class 2 and 3 pricing period, average of preceding June-July Class 4a component prices per pound.

For October-November Class 2 and 3 pricing period, average of preceding August-September Class 4a component prices per pound.

For December-January Class 2 and 3 pricing period, average of preceding October-November Class 4a component prices per pound.

- (6) ***For the months January 2010 through March 2010 the minimum Class 2 prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:***

(a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.

(b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.

- (C) The minimum bimonthly prices for components used for Class 3 shall be determined at the beginning of each even month, using the following formulas and procedures:

- (1) For all milk fat, not less than the Average Class 4a fat price, ***pursuant to Subparagraph (D)(1).***

- (2) For all milk solids-not-fat, not less than the Average Class 4a solids-not-fat price, ***pursuant to Subparagraph (D)(2),*** plus four and thirty-three hundredths cents (\$0.0433) per pound.

- (3) For any month in which the Secretary implements the collection of security charges provided for in Chapter 2.5, Part 3, Division 21 of the Food and Agricultural Code, the minimum Class 3 prices shall be increased by the following amounts:

(a) For milk fat, seven and one-tenth mils (\$0.0071) per pound.

(b) For milk solids-not-fat, two and nine-tenths mils (\$0.0029) per pound.

(4) The time periods for the Average Class 4a fat price used in Subparagraph (C)(1) and the Average Class 4a solids-not-fat price used in Subparagraph (C)(2) of this Section shall be those in Subparagraph (B)(5) of this Section.

(5) *For the months January 2010 through March 2010 the minimum Class 3 prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:*

(a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.

(b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.

(D) The minimum prices to be paid for components used for Class 4a shall be computed as follows:

(1) For all milk fat, not less than the price per pound computed by the formula using the butter price, less an f.o.b. California price adjuster of three and nine hundredths cents (\$0.0309), less a manufacturing cost allowance of fifteen and six tenths cents (\$0.156), and the result multiplied by a yield factor of one and two-tenths (1.2).

(2) For all milk solids-not-fat, not less than the price per pound computed by the formula using the nonfat dry milk price, less a manufacturing cost allowance of sixteen and ninety-eight hundredths cents (\$0.1698), multiplied by a yield factor of one (1.0).

(3) The butter prices used in calculations pursuant to this Paragraph shall be the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month

(4) The nonfat dry milk prices used in calculations pursuant to this Paragraph shall be the weighted average price per pound for all Grade A and extra grade nonfat dry milk for human consumption sold f.o.b. California manufacturing plants for the period beginning the 26th day of the previous month and concluding the 25th day of the current month, as reported by the California Department of Food and Agriculture for the month.

(5) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the current Class 4a fat price, pursuant to Subparagraph (D)(1), then used in its place shall be the Chicago Mercantile Exchange Grade AA butter price used in the prior month's calculation of the Class 4a fat price. All other Paragraphs that use the

Class 4a fat price shall operate as if the price had been established pursuant to Subparagraph (D)(1).

- (6) In the event that the California weighted average nonfat dry milk price is not available to calculate the current Class 4a solids-not-fat component price, pursuant to Subparagraph (D)(2), then used in its place shall be the California weighted average nonfat dry milk price used in the prior month's calculation of the Class 4a solids-not-fat price. All other Paragraphs that use the Class 4a solids-not-fat price shall operate as if the solids-not-fat price had been established pursuant to Subparagraph (D)(2).

(7) *For the months January 2010 through March 2010 the minimum Class 4a prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:*

(a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.

(b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.

- (E) The minimum prices to be paid for components used for Class 4b shall be computed as follows:

- (1) The Cheese hundredweight price shall be the price per hundredweight computed by the sum of the following:

(a) The price per hundredweight computed by the formula using the Cheddar cheese price, less an f.o.b. California price adjuster of two and fifty-two hundredths cents (\$0.0252), less a Cheddar cheese manufacturing cost allowance of nineteen and eighty-eight hundredths cents (\$0.1988), all multiplied by a yield factor of ten and two-tenths (10.2).

(b) The price per hundredweight computed by the formula using the butter price, less a manufacturing cost allowance of fifteen and six tenths cents (\$0.156), less ten cents (\$0.10), all multiplied by a yield factor of twenty-seven-hundredths (0.27).

(c) The constant whey factor of twenty-five cents per hundredweight (\$0.25).

- (2) For all milk fat, not less than the price per pound computed pursuant to Subparagraph (D)(1) of this Section.

- (3) For all milk solids-not-fat, not less than the price per pound computed by the formula using the Cheese hundredweight price established pursuant to Subparagraph (E)(1) less the product of three and seventy-two hundredths (3.72) multiplied by the Class 4b fat price established pursuant to Subparagraph (E)(2), all divided by eight and eighty hundredths (8.80).
- (4) The Cheddar cheese prices used in calculations pursuant this Paragraph shall be the simple average of the 40 pound block Cheddar cheese price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- (5) The butter prices used in calculations pursuant this Paragraph shall be the simple average of the Grade AA butter price quotations for the last significant trading action for sale, offer or bid at the Chicago Mercantile Exchange falling between the period beginning the 26th day of the previous month and concluding the 25th day of the current month.
- (6) In the event the Chicago Mercantile Exchange 40 pound block Cheddar cheese price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the cheese price used in the prior month's calculation of the Cheese hundredweight price.
- (7) In the event that the Chicago Mercantile Exchange Grade AA butter price is not available to calculate the Cheese hundredweight price, pursuant to Subparagraph (E)(1), then used in its place shall be the Grade AA butter price used in the prior month's calculation of the Cheese hundredweight price.
- (8) ***For the months January 2010 through March 2010 the minimum Class 4b prices shall be increased by the following amounts only if both the Class 4a AND Class 4b milk prices for the second prior month for milk testing 3.5% fat and 8.7% solids not fat do not exceed \$13.00 per hundredweight:***
- (a) For milk fat, one and sixty four hundredths cents (\$0.0164) per pound.***
- (b) For milk solids-not-fat, one and sixty four hundredths cents (\$0.0164) per pound.***